

# **Sunnybrook Health Sciences Centre**

Schedule of Operations  
**For the year ended March 31, 2014**



June 5, 2014

## **Independent Auditor's Report**

### **To the Audit Committee of Sunnybrook Health Sciences Centre**

We have audited the accompanying Schedule of Operations (the Schedule) of Sunnybrook Health Sciences Centre for the year ended March 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information. The Schedule has been prepared by management using the basis of accounting described in note 2.

#### **Management's responsibility for the Schedule**

Management is responsible for the preparation and fair presentation of this Schedule in accordance with the basis of accounting described in note 2; this includes determining that the basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for such internal control as it determines is necessary to enable the preparation of a Schedule that is free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on this Schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the Schedule of Sunnybrook Health Sciences Centre as at March 31, 2014 is prepared, in all material respects, in accordance with the basis of accounting described in note 2.

**Basis of accounting and restriction on use**

Without modifying our opinion, we draw attention to note 2 to the Schedule, which describes the basis of accounting. The Schedule is prepared to assist Sunnybrook Health Sciences Centre to comply with the financial reporting provisions of the contract referred to above. As a result, the Schedule may not be suitable for another purpose. Our report is intended solely for the directors of Sunnybrook Health Sciences Centre and the Ministry of Health and Long-Term Care (MoHLTC) and the Local Health Integration Network (LHIN) and should not be distributed to or used by parties other than the directors of Sunnybrook Health Sciences Centre, the MoHLTC and the LHIN.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Sunnybrook Health Sciences Centre

## Schedule of Operations

For the year ended March 31, 2014

	2014 \$	2013 \$
<b>Revenues</b>		
Local Health Integration Network/Ministry of Health and Long-Term Care	634,444	629,129
Cancer Care Ontario	91,340	72,957
Other agencies and patients	42,212	42,103
Ancillary services and other sources	125,998	119,108
Investment income	1,280	1,183
Grant and other revenue	8,893	8,191
Amortization of deferred contributions for equipment	7,460	8,979
	<u>911,627</u>	<u>881,650</u>
<b>Expenses</b>		
Salaries, wages and employee benefits	589,351	571,594
Medical and surgical supplies	59,947	65,125
Drugs	70,233	64,341
Other supplies and expenses	137,115	136,110
Bad debts	3,687	1,594
Interest	3,724	3,928
Amortization of equipment	20,822	21,306
	<u>884,879</u>	<u>863,998</u>
<b>Excess of revenues over expenses before net building amortization</b>	<u>26,748</u>	<u>17,652</u>
<b>Net building amortization</b>		
Amortization of deferred contributions for buildings	21,181	18,869
Amortization of buildings	(25,395)	(25,305)
	<u>(4,214)</u>	<u>(6,436)</u>
<b>Excess of revenues over expenses before undernoted item</b>	22,534	11,216
<b>Recognition of post-construction operating plan revenue</b>	<u>12,690</u>	<u>-</u>
<b>Excess of revenues over expenses for the year</b>	<u>35,224</u>	<u>11,216</u>

The accompanying notes are an integral part of this Schedule of Operations.

# Sunnybrook Health Sciences Centre

## Notes to Schedule of Operations

March 31, 2014

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### 1 Operations, reorganizations and amalgamation

- a) Sunnybrook Health Sciences Centre (the Hospital or SHSC) is an academic health sciences centre involved in providing patient care, teaching health-care professionals, conducting research and providing adult specialty rehabilitation services. The Hospital is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Hospital is funded primarily by the Province of Ontario in accordance with funding arrangements established by the Ministry of Health and Long-Term Care and the Local Health Integration Network (LHIN). Any excess of revenues over expenses incurred during a fiscal year is not required to be returned. To the extent that deficits are incurred and not funded, future operations may be impacted. Net building amortization expense (building amortization net of related amortization of deferred contributions) is not funded by the LHIN. The Schedule of Operations (the Schedule) includes net building amortization of \$4,214 (2013 - \$6,436).

- b) The Hospital was formed as a result of the amalgamation of SHSC and St. John's Rehab Hospital effective July 1, 2012. The amalgamation was accounted for using the continuity of interests method as the entities are subject to common control.

### 2 Summary of significant accounting policies

#### Basis of presentation

The purpose of the Schedule is to show the Hospital's operations as a standalone corporation for the purposes of accountability. The Schedule is prepared in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that apply only to government not-for-profit organizations and include the activities of the Hospital.

#### Revenue recognition

The Hospital follows the deferral method of accounting for contributions, donations and government grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Grants that are approved but not received at the end of a period are accrued. Operating grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Contributions and investment income restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

# Sunnybrook Health Sciences Centre

## Notes to Schedule of Operations

March 31, 2014

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Ancillary revenue is primarily derived from the Hospital's pharmacies, preferred accommodation, the Working Conditions Program, leasing revenue from parking, commission revenue from catering services at the Estates of Sunnybrook, and various service level agreements with other institutions.

### Contributed assets, material and services

Volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the Schedule and related Schedule notes. Contributed assets, materials and services are recorded, when received, at their fair value.

### Property, plant and equipment

Property, plant and equipment are amortized on a straight-line basis using the following annual rates:

Buildings	2.0% - 20.0%
Equipment	3.3% - 33.3%
Building improvements	6.7%
Parking structure	5.0%

### Employee benefit plans

The Hospital accrues its obligations under employee benefit plans and the related costs.

- Multi-employer plan

Substantially all of the employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit, final average earnings, and contributory pension plan. Defined contribution accounting is applied to HOOPP, whereby contributions are expensed when due.

- Superannuation defined benefit plan

There are no active Hospital employees that are members of this superannuation defined benefit plan. The plan has been accounted for as if it were on a defined contribution basis, whereby contributions are expensed when due.

- Other non-pension defined benefit plans

For other non-pension defined benefit plans, the cost of retirement benefits earned by employees is actuarially determined using the accrued benefit method, pro-rated on service, and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to the Hospital's long-term cost of borrowing consistent with the specific rates of interest and periods committed to by the Hospital on amounts borrowed. The Hospital estimated its cost of borrowing by referencing the rate of return on provincial government and corporate bonds for varying durations based on the cash flows expected from the post-employment benefit obligations. Actuarial gains and losses are

# Sunnybrook Health Sciences Centre

## Notes to Schedule of Operations

March 31, 2014

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amortized over the remaining service lives of the employees. Past-service costs relating to plan amendments are expensed when incurred.

Sick days that accumulate, but do not vest, are recognized in the period in which employees have earned the related benefits in return for their services. The cost of sick leave benefits earned is actuarially determined using the projected benefits method pro-rated on service and using management's best estimate assumptions.

### **Restricted investments**

Interest on restricted investments is recorded on an accrual basis. Transaction costs related to restricted investments are expensed as incurred.

### **Deferred contributions**

Contributions for the purpose of acquiring property, plant and equipment are deferred and amortized on the same basis, and over the same periods, as the related asset.

Contributions for special purpose expenses are funded through various sources, including donations. They are recognized as revenue in the year in which the related expenses are incurred.

Changes in fair value and investment income earned on amounts received for special purpose funds and unspent capital grants are recognized as an increase in deferred contributions and restricted for these purposes.

### **Use of estimates**

The preparation of the Schedule in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Schedule. Actual results could differ from those estimates.

## **3 Related party transactions**

Prior to April 1, 2013, the Hospital provided premises and facility costs on certain occupied space, along with administrative and management services and insurance coverage to Sunnybrook Research Institute (SRI) at no cost. The value of these contributed costs and services is not included in the Schedule for fiscal 2013. For fiscal 2014, SRI was charged a total of \$5,760.